## CHAPTER IV

OF THE ORIGIN AND USE OF MONEY

WHEN THE DIVISION OF LABOUR has been once thoroughly established, it is but a very small part of a man’s wants which the produce of his own labour can supply. He supplies the far greater part of them by exchanging that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men’s labour as he has occasion for. Every man thus lives by exchanging, or becomes, in some measure, a merchant, and the society itself grows to be what is properly a commercial society.

But when the division of labour first began to take place, this power of exchanging must frequently have been very much clogged and embar- rassed in its operations. One man, we shall suppose, has more of a certain commodity than he himself has occasion for, while another has less. The former, consequently, would be glad to dispose of; and the latter to pur- chase, a part of this superfluity. But if this latter should chance to have nothing that the former stands in need of, no exchange can be made be- tween them. The butcher has more meat in his shop than he himself can consume, and the brewer and the baker would each of them be willing to purchase a part of it. But they have nothing to offer in exchange, except the different productions of their respective trades, and the butcher is already provided with all the bread and beer which he has immediate occasion for. No exchange can, in this case, be made between them. He cannot be their merchant, nor they his customers; and they are all of them thus mutually less serviceable to one another. In order to avoid the incon- veniency of such situations, every prudent man in every period of society, after the first establishment of the division of labour, must naturally have endeavoured to manage his affairs in such a manner, as to have at all times by him, besides the peculiar produce of his own industry, a certain quan- tity of some one commodity or other, such as he imagined few people would be likely to refuse in exchange for the produce of their industry. Many different commodities, it is probable, were successively both thought of and employed for this purpose. In the rude ages of society, cattle are

said to have been the common instrument of commerce; and, though they must have been a most inconvenient one, yet, in old times, we find things were frequently valued according to the number of cattle which had been given in exchange for them. Thearmour of Diomede, says Homer, cost only nine oxen; but that of Glaucus cost a hundred oxen. Salt is said to be the common instrument of commerce and exchanges in Abyssinia; a species of shells in some parts of the coast of India; dried cod at New- foundland; tobacco in Virginia; sugar in some of our West India colonies; hides or dressed leather in some other countries; and there is at this day a village In Scotland, where it is not uncommon, I am told, for a workman to carry nails instead of money to the baker’s shop or the ale-house.

In all countries, however, men seem at last to have been determined by irresistible reasons to give the preference, for this employment, to metals above every other commodity. Metals can not only be kept with as little loss as any other commodity, scarce any thing being less perishable than they are, but they can likewise, without any loss, be divided into any number of parts, as by fusion those parts can easily be re-united again; a quality which no other equally durable commodities possess, and which, more than any other quality, renders them fit to be the instruments of com- merce and circulation. The man who wanted to buy salt, for example, and had nothing but cattle to give in exchange for it, must have been obliged to buy salt to the value of a whole ox, or a whole sheep, at a time. He could seldom buy less than this, because what he was to give for it could seldom be divided without loss; and if he had a mind to buy more, he must, for the same reasons, have been obliged to buy double or triple the quantity, the value, to wit, of two or three oxen, or of two or three sheep. If, on the contrary, instead of sheep or oxen, he had metals to give in exchange for it, he could easily proportion the quantity of the metal to the precise quan- tity of the commodity which he had immediate occasion for.

Different metals have been made use of by different nations for this purpose. Iron was the common instrument of commerce among the an- cient Spartans, copper among the ancient Romans, and gold and silver among all rich and commercial nations.

Those metals seem originally to have been made use of for this purpose in rude bars, without any stamp or coinage. Thus we are told by Pliny (Plin. Hist Nat. lib. 33, cap. 3), upon the authority of Timaeus, an an- cient historian, that, till the time of Servius Tullius, the Romans had no coined money, but made use of unstamped bars of copper, to purchase whatever they had occasion for. These rude bars, therefore, performed at this time the function of money.

The use of metals in this rude state was attended with two very consid- erable inconveniences; first, with the trouble of weighing, and secondly, with that of assaying them. In the precious metals, where a small differ- ence in the quantity makes a great difference in the value, even the busi- ness of weighing, with proper exactness, requires at least very accurate weights and scales. The weighing of gold, in particular, is an operation of some nicety In the coarser metals, indeed, where a small error would be of little consequence, less accuracy would, no doubt, be necessary. Yet we should find it excessively troublesome if every time a poor man had occa- sion either to buy or sell a farthing’s worth of goods, he was obliged to weigh the farthing. The operation of assaying is still more difficult, still more tedious; and, unless a part of the metal is fairly melted in the cru- cible, with proper dissolvents, any conclusion that can be drawn from it is extremely uncertain. Before the institution of coined money, however, unless they went through this tedious and difficult operation, people must always have been liable to the grossest frauds and impositions; and instead of a pound weight of pure silver, or pure copper, might receive, in ex- change for their goods, an adulterated composition of the coarsest and cheapest materials, which had, however, in their outward appearance, been made to resemble those metals. To prevent such abuses, to facilitate ex- changes, and thereby to encourage all sorts of industry and commerce, it has been found necessary, in all countries that have made any considerable advances towards improvement, to affix a public stamp upon certain quan- tities of such particular metals, aswere in those countries commonly made use of to purchase goods. Hence the origin of coined money, and of those public offices called mints; institutions exactly of the same nature with those of the aulnagers and stamp-masters of woollen and linen cloth. All of them are equally meant to ascertain, by means of a public stamp, the quantity and uniform goodness of those different commodities when brought to market.

The first public stamps of this kind that were affixed to the current metals, seem in many cases to have been intended to ascertain, what it was both most difficult and most important to ascertain, the goodness or fine- ness of the metal, and to have resembled the sterling mark which is at present affixed to plate and bars of silver, or the Spanish mark which is sometimes affixed to ingots of gold, and which, being struck only upon one side of the piece, and not covering the whole surface, ascertains the fineness, but not the weight of the metal. Abraham weighs to Ephron the four hundred shekels of silver which he had agreed to pay for thefield of Machpelah. They are said, however, to be the current money of the mer-

chant, and yet are received by weight, and not by tale, in thesame manner as ingots of gold and bars of silver are at present. The revenues of the ancient Saxon kings of England are said to have been paid, not in money, but in kind, that is, in victuals and provisions of all sorts. William the Conqueror introduced thecustom of paying them in money. This money, however, was for a long time, received at the exchequer, by weight, and not by tale.

The inconveniency and difficulty of weighing those metals with exact- ness, gave occasion to the institution of coins, of which the stamp, cover- ing entirely both sides of the piece, and sometimes the edges too, was supposed to ascertain not only the fineness, but the weight of the metal. Such coins, therefore, were received by tale, as at present, without the trouble of weighing.

The denominations of those coins seem originally to have expressed the weight or quantity of metal contained in them. In the time of Servius Tullius, who first coined money at Rome, the Roman as or pondo con- tained a Roman pound of good copper. It was divided, in the same man- ner as our Troyes pound, into twelve ounces, each of which contained a real ounce of good copper. The English pound sterling, in the time of Edward I. contained a pound, Tower weight, of silver of a known fineness. The Tower pound seems to have been something more than the Roman pound, and something less than the Troyes pound. This last was not in- troduced into the mint of England till the 18th of Henry the VIII. The French livre contained, in the time of Charlemagne, a pound, Troyes weight, of silver of a known fineness. The fair of Troyes in Champaign was at that time frequented by all the nations of Europe, and the weights and mea- sures of so famous a market were generally known and esteemed. The Scots money pound contained, from the time of Alexander the First to that of Robert Bruce, a pound of silver of the same weight and fineness with the English pound sterling. English, French, and Scots pennies, too, contained all of them originally a real penny-weight of silver, the twenti- eth part of an ounce, and the two hundred-and-fortieth part of a pound. The shilling, too, seems originally to have been the denomination of a weight. “When wheat is at twelve shillings the quarter,” says an ancient statute of Henry III. “then wastel bread of a farthing shall weigh eleven shillings and fourpence”. The proportion, however, between the shilling, and either the penny on the one hand, or the pound on the other, seems not to have been so constant and uniform as that between the penny and the pound. During the first race of the kings of France, the French sou or shilling appears upon different occasions to have contained five, twelve, twenty, and forty pennies. Among the ancient Saxons, a shilling appears

at one time to have contained only five pennies, and it is not improbable that it may have been as variable among them as among their neighbours, the ancient Franks. From the time of Charlemagne among the French, and from that of William the Conqueror among the English, the propor- tion between the pound, the shilling, and the penny, seems to have been uniformly the same as at present, though the value of each has been very different; for in every country of the world, I believe, the avarice and injustice of princes and sovereign states, abusing the confidence of their subjects, have by degrees diminished the real quantity of metal, which had been originally contained in their coins. The Roman as, in the latter ages of the republic, was reduced to the twenty-fourth part of its original value, and, instead of weighing a pound, came to weigh only half an ounce. The English pound and penny contain at present about a third only; the Scots pound and penny about a thirty-sixth; and the French pound and penny about a sixty-sixth part of their original value. By means of those opera- tions, the princes and sovereign states which performed them were en- abled, in appearance, to pay their debts and fulfil their engagements with a smaller quantity of silver than would otherwise have been requisite. It was indeed in appearance only; for their creditors were really defrauded of a part of what was due to them. All other debtors in the state were allowed the same privilege, and might pay with the same nominal sum of the new and debased coin whatever they had borrowed in the old. Such opera- tions, therefore, have always proved favourable to the debtor, and ruinous to the creditor, and have sometimes produced a greater and more univer- sal revolution in the fortunes of private persons, than could have been occasioned by a very great public calamity.

It is in this manner that money has become, in all civilized nations, the universal instrument of commerce, by the intervention of which goods of all kinds are bought and sold, or exchanged for one another.

What are the rules which men naturally observe, in exchanging them either for money, or for one another, I shall now proceed to examine. These rules determine what may be called the relative or exchangeable value of goods.

The word VALUE, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called ‘value in use;’ the other, ‘value in ex- change.’ The things which have the greatest value in use have frequently little or no value in exchange; and, on the contrary, those which have the greatest value in exchange have frequently little or no value in use. Noth-

ing is more useful than water; but it will purchase scarce any thing; scarce any thing can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it.

In order to investigate the principles which regulate the exchangeable value of commodities, I shall endeavour to shew,

First, what is the real measure of this exchangeable value; or wherein consists the real price of all commodities.

Secondly, what are the different parts of which this real price is com- posed or made up.

And, lastly, what are the different circumstances which sometimes raise some or all of these different parts of price above, and sometimes sink them below, their natural or ordinary rate; or, what are the causes which sometimes hinder the market price, that is, the actual price of commodi- ties, from coinciding exactly with what may be called their natural price. I shall endeavour to explain, as fully and distinctly as I can, those three subjects in the three following chapters, for which I must very earnestly entreat both the patience and attention of the reader: his patience, in or- der to examine a detail which may, perhaps, in some places, appear un- necessarily tedious; and his attention, in order to understand what may perhaps, after the fullest explication which I am capable of giving it, ap- pear still in some degree obscure. I am always willing to run some hazard of being tedious, in order to be sure that I am perspicuous; and, after taking the utmost pains that I can to be perspicuous, some obscurity may still appear to remain upon a subject, in its own nature extremely ab-

stracted.

## CHAPTER V

OF THE REAL AND NOMINAL PRICE OF COM- MODITIES, OR OF THEIR PRICE IN LABOUR, AND THEIR PRICE IN MONEY

EVERY MAN IS RICH OR POOR according to the degree in which he can afford to enjoy the necessaries, conveniencies, and amusements of human life. But after the division of labour has once thoroughly taken place, it is but a very small part of these with which a man’s own labour can supply him. The far greater part of them he must derive from the labour of other people, and he must be rich or poor according to the quantity of that labour which he can command, or which he can afford to purchase. The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour therefore, is the real measure of the ex- changeable value of all commodities.

The real price of every thing, what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What every thing is really worth to the man who has acquired it and who wants to dispose of it, or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose upon other people. What is bought with money, or with goods, is purchased by labour, as much as what we acquire by the toil of our own body. That money, or those goods, indeed, save us this toil. They contain the value of a certain quantity of labour, which we exchange for what is supposed at the time to contain the value of an equal quantity. Labour was the first price, the original purchase money that was paid for all things. It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased; and its value, to those who possess it, and who want to ex- change it for some new productions, is precisely equal to the quantity of’ labour which it can enable them to purchase or command.

Wealth, as Mr Hobbes says, is power. But the person who either ac-

quires, or succeeds to a great fortune, does not necessarily acquire or suc- ceed to any political power, either civil or military. His fortune may, per- haps, afford him the means of acquiring both; but the mere possession of that fortune does not necessarily convey to him either. The power which that possession immediately and directly conveys to him, is the power of purchasing a certain command over all the labour, or over all the produce of labour which is then in the market. His fortune is greater or less, pre- cisely in proportion to the extent of this power, or to the quantity either of other men’s labour, or, what is the same thing, of the produce of other men’s labour, which it enables him to purchase or command. The ex- changeable value of every thing must always be precisely equal to the ex- tent of this power which it conveys to its owner.

But though labour be the real measure of the exchangeable value of all commodities, it is not that by which their value is commonly estimated. It is often difficult to ascertain the proportion between two different quan- tities of labour. The time spent in two different sorts of work will not always alone determine this proportion. The different degrees of hardship endured, and of ingenuity exercised, must likewise be taken into account. There may be more labour in an hour’s hard work, than in two hours easy business; or in an hour’s application to a trade which it cost ten years labour to learn, than in a month’s industry, at an ordinary and obvious employment. But it is not easy to find any accurate measure either of hardship or ingenuity. In exchanging, indeed, the different productions of different sorts of labour for one another, some allowance is commonly made for both. It is adjusted, however, not by any accurate measure, but by the higgling and bargaining of the market, according to that sort of rough equality which, though not exact, is sufficient for carrying on the business of common life.

Everycommodity, besides, Is more frequently exchanged for, and thereby compared with, other commodities, than with labour. It is more natural, therefore, to estimate its exchangeable value by the quantity of some other commodity, than by that of the labour which it can produce. The greater part of people, too, understand better what is meant by a quantity of a particular commodity, than by a quantity of labour. The one is a plain palpable object; the other an abstract notion, which though it can be made sufficiently intelligible, is not altogether so natural and obvious.

But when barter ceases, and money has become the common instru- ment of commerce, every particular commodity is more frequently ex- changed for money than for any other commodity. The butcher seldom carries his beef or his mutton to the baker or the brewer, in order to ex-

change them for bread or for beer; but he carries them to the market, where he exchanges them for money, and afterwards exchanges that money for bread and for beer. The quantity of money which he gets for them regulates, too, the quantity of bread and beer which he can afterwards purchase. It is more natural and obvious to him, therefore, to estimate their value by the quantity of money, the commodity for which he imme- diately exchanges them, than by that of bread and beer, the commodities for which he can exchange them only by the intervention of another com- modity; and rather to say that his butcher’s meat is worth three-pence or fourpence a-pound, than that it is worth three or four pounds of bread, or three or four quarts of small beer. Hence it comes to pass, that the ex- changeable value of every commodity is more frequently estimated by the quantity of money, than by the quantity either of labour or of any other commodity which can be had in exchange for it.

Gold and silver, however, like every other commodity, vary in their value; are sometimes cheaper and sometimes dearer, sometimes of easier and sometimes of more difficult purchase. The quantity of labour which any particular quantity of them can purchase or command, or the quantity of other goods which it will exchange for, depends always upon the fertility or barrenness of the mines which happen to be known about the time when such exchanges are made. The discovery of the abundant mines of America, reduced, in the sixteenth century, the value of gold and silver in Europe to about a third of what it had been before. As it cost less labour to bring those metals from the mine to the market, so, when they were brought thither, they could purchase or command less labour; and this revolution in their value, though perhaps the greatest, is by no means the only one of which history gives some account. But as a measure of quantity, such as the natural foot, fathom, or handful, which is continually varying in its own quantity, can never be an accurate measure of the quantity of other things; so a commoditywhich is itself continually varying in its own value, can never be an accurate measure of thevalue of other commodities. Equal quantities of labour, at all times and places, may be said to be of equal value to the labourer. In his ordinary state of health, strength, and spirits; in the ordinary degree of his skill and dexterity, he must always lay down the same portion of his ease, his liberty, and his happiness. The price which he pays must always be the same, whatever may be the quantity of goods which he receives in return for it. Of these, indeed, it may some- times purchase a greater and sometimes a smaller quantity; but it is their value which varies, not that of the labour which purchases them. At all times and places, that is dear which it is difficult to come at, or which it

costs much labour to acquire; and that cheap which is to be had easily, or with very little labour. Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only.

But though equal quantities of labour are always of equal value to the labourer, yet to the person who employs him they appear sometimes to be of greater, and sometimes of smaller value. He purchases them sometimes with a greater, and sometimes with a smaller quantity of goods, and to him the price of labour seems to vary like that of all other things. It ap- pears to him dear in the one case, and cheap in the other. In reality, how- ever, it is the goods which are cheap in the one case, and dear in the other. In this popular sense, therefore, labour, like commodities, may be said to have a real and a nominal price. Its real price may be said to consist in the quantity of the necessaries and conveniencies of life which are given for it; its nominal price, in the quantity of money. The labourer is rich or poor, is well or ill rewarded, in proportion to the real, not to the nominal

price of his labour.

The distinction between the real and the nominal price of commodities and labour is not a matter of mere speculation, but may sometimes be of considerable use in practice. The same real price is always of the same value; but on account of the variations in the value of gold and silver, the same nominal price is sometimes of very different values. When a landed estate, therefore, is sold with a reservation of a perpetual rent, if it is in- tended that this rent should always be of the same value, it is of impor- tance to the family in whose favour it is reserved, that it should not consist in a particular sum of money. Its value would in this case be liable to variations of two different kinds: first, to those which arise from the dif- ferent quantities of gold and silver which are contained at different times in coin of the same denomination; and, secondly, to those which arise from the different values of equal quantities of gold and silver at different times.

Princes and sovereign states have frequently fancied that they had a tem- porary interest to diminish the quantity of pure metal contained in their coins; but they seldom have fancied that they had any to augment it. The quantity of metal contained in the coins, I believe of all nations, has accord- ingly been almost continually diminishing, and hardly ever augmenting. Such variations, therefore, tend almost always to diminish the value of a money rent.

The discovery of the mines of America diminished the value of gold and

silver in Europe. This diminution, it is commonly supposed, though I apprehend without any certain proof, is still going on gradually, and is likely to continue to do so for a long time. Upon this supposition, there- fore, such variations are more likely to diminish than to augment the value of a money rent, even though it should be stipulated to be paid, not in such a quantity of coined money of such a denomination (in so many poundssterling, for example), but in so many ounces, either of pure silver, or of silver of a certain standard.

The rents which have been reserved in corn, have preserved their value much better than those which have been reserved in money, even where the denomination of the coin has not been altered. By the 18th of Eliza- beth, it was enacted, that a third of the rent of all college leases should be reserved in corn, to be paid either in kind, or according to the current prices at the nearest public market. The money arising from this corn rent, though originally but a third of the whole, is, in the present times, according to Dr. Blackstone, commonly near double of what arises from the other two-thirds. The old money rents of colleges must, according to this account, have sunk almost to a fourth part of their ancient value, or are worth little more than a fourth part of the corn which they were for- merly worth. But since the reign of Philip and Mary, the denomination of the English coin has undergone little or no alteration, and the same num- ber of pounds, shillings, and pence, have contained very nearly the same quantity of pure silver. This degradation, therefore, in the value of the money rents of colleges, has arisen altogether from the degradation in the price of silver.

When the degradation in the value of silver is combined with the dimi- nution of the quantity of it contained in the coin of the same denomina- tion, the loss is frequently still greater. In Scotland, where the denomina- tion of the coin has undergone much greater alterations than it ever did in England, and in France, where it has undergone still greater than it ever did in Scotland, some ancient rents, originally of considerable value, have, in this manner, been reduced almost to nothing.

Equal quantities of labour will, at distant times, be purchased more nearly with equal quantities of corn, the subsistence of the labourer, than with equal quantities of gold and silver, or, perhaps, of any other com- modity. Equal quantities of corn, therefore, will, at distant times, be more nearly of the same real value, or enable the possessor to purchase or com- mand more nearly the same quantity of the labour of other people. They will do this, I say, more nearly than equal quantities of almost any other commodity; for even equal quantities of corn will not do it exactly. The

subsistence of the labourer, or the real price of labour, as I shall endeavour to shew hereafter, is very different upon different occasions; more liberal in a society advancing to opulence, than in one that is standing still, and in one that is standing still, than in one that is going backwards. Every other commodity, however, will, at any particular time, purchase a greater or smaller quantity of labour, in proportion to the quantity of subsistence which it can purchase at that time. A rent, therefore, reserved in corn, is liable only to the variations in the quantity of labour which a certain quantity of corn can purchase. But a rent reserved in any other commod- ity is liable, not only to the variations in the quantity of labour which any particular quantity of corn can purchase, but to the variations in the quan- tity of corn which can be purchased by any particular quantity of that commodity.

Though the real value of a corn rent, it is to be observed, however, varies much less from century to century than that of a money rent, it varies much more from year to year. The money price of labour, as I shall en- deavour to shew hereafter, does not fluctuate from year to year with the money price of corn, but seems to be everywhere accommodated, not to the temporary or occasional, but to the average or ordinary price of that necessary of life. The average or ordinary price of corn, again is regulated, as I shall likewise endeavour to shew hereafter, by the value of silver, by the richness or barrenness of the mines which supply the market with that metal, or by the quantity of labour which must be employed, and conse- quently of corn which must be consumed, in order to bring any particular quantity of silver from the mine to the market. But the value of silver, though it sometimes varies greatly from century to century, seldom varies much from year to year, but frequently continues the same, or very nearly the same, for half a century or a century together. The ordinary or average money price of corn, therefore, may, during so long a period, continue the same, or very nearly the same, too, and along with it the money price of labour, provided, at least, the society continues, in other respects, in the same, or nearly in the same, condition. In the mean time, the temporary and occasional price of corn may frequently be double one year of what it had been the year before, or fluctuate, for example, from five-and-twenty to fifty shillings the quarter. But when corn is at the latter price, not only the nominal, but the real value of a corn rent, will be double of what it is when at the former, or will command double the quantity either of labour, or of the greater part of other commodities; the money price of labour, and along with it that of most other things, continuing the same during all these fluctuations.

Labour, therefore, it appears evidently, is the only universal, as well as the only accurate, measure of value, or the only standard by which we can compare the values of different commodities, at all times, and at all places. We cannot estimate, it is allowed, the real value of different commodities from century to century by the quantities of silver which were given for them. We cannot estimate it from year to year by the quantities of corn. By the quantities of labour, we can, with the greatest accuracy, estimate it, both from century to century, and from year to year. From century to century, corn is a better measure than silver, because, from century to century, equal quantities of corn will command thesame quantity of labour more nearly than equal quantities of silver. From year to year, on the con- trary, silver is a better measure than corn, because equal quantities of it will more nearly command the same quantity of labour.

But though, in establishing perpetual rents, or even in letting very long leases, it may be of use to distinguish between real and nominal price; it is of none in buying and selling, the more common and ordinary transac- tions of human life.

At the same time and place, the real and the nominal price of all com- modities are exactly in proportion to one another. The more or less money you get for any commodity, in the London market, for example, the more or less labour it will at that time and place enable you to purchase or command. At the same time and place, therefore, money is the exact mea- sure of the real exchangeable value of all commodities. It is so, however, at the same time and place only.

Though at distant places there is no regular proportion between the real and the money price of commodities, yet the merchant who carries goods from the one to the other, has nothing to consider but the money price, or the difference between the quantity of silver for which he buys them, and that for which he is likely to sell them. Half an ounce of silver at Canton in China may command a greater quantity both of labour and of the necessaries and conveniencies of life, than an ounce at London. A com- modity, therefore, which sells for half an ounce of silver at Canton, may there be really dearer, of more real importance to the man who possesses it there, than a commodity which sells for an ounce at London is to the man who possesses it at London. If a London merchant, however, can buy at Canton, for half an ounce of silver, a commodity which he can afterwards sell at London for an ounce, he gains a hundred per cent. by the bargain, just as much as if an ounce of silver was at London exactly of the same value as at Canton. It is of no importance to him that half an ounce of silver at Canton would have given him the command of more labour, and

of a greater quantity of the necessaries and conveniencies of life than an ounce can do at London. An ounce at London will always give him the command of double the quantity of all these, which half an ounce could have done there, and this is precisely what he wants.

As it is the nominal or money price of goods, therefore, which finally determines the prudence or imprudence of all purchases and sales, and thereby regulates almost the whole business of common life in which price is concerned, we cannot wonder that it should have been so much more attended to than the real price.

In such a work as this, however, it may sometimes be of use to compare the different real values of a particular commodity at different times and places, or the different degrees of power over the labour of other people which it may, upon different occasions, have given to those who possessed it. We must in this case compare, not so much the different quantities of silver for which it was commonlysold, as the different quantities or labour which those different quantities of silver could have purchased. But the current prices of labour, at distant times and places, can scarce ever be known with any degree of exactness. Those ofcorn, though they have in few places been regularly recorded, are in general better known, and have been more frequently taken notice of by historians and other writers. We must generally, therefore, content ourselves with them, not as being always exactly in the same proportion as the current prices of labour, but as being the nearest approximation which can commonly be had to that proportion. I shall hereafter have occasion to make several comparisons of this kind.

In the progress of industry, commercial nations have found it conve- nient to coin several different metals into money; gold for larger pay- ments, silver for purchases of moderate value, and copper, or some other coarse metal, for those of still smaller consideration, They have always, however, considered one of those metals as more peculiarly the measure of value than any of the other two; and this preference seems generally to have been given to the metal which they happen first to make use of as the instrument of commerce. Having once begun to use it as their standard, which they must have done when they had no other money, they have generally continued to do so even when the necessity was not the same.

The Romans are said to have had nothing but copper money till within five years before the first Punic war (Pliny, lib. xxxiii. cap. 3), when they first began to coin silver. Copper, therefore, appears to have continued always the measure of value in that republic. At Rome all accounts appear to have been kept, and the value of all estates to have been computed, either in asses or in sestertii. The as was always the denomination of a

copper coin. The word sestertius signifies two asses and a half. Though the sestertius, therefore, was originally a silver coin, its value was esti- mated in copper. At Rome, one who owed a great deal of money was said to have a great deal of other people’s copper.

The northern nations who established themselves upon the ruins of the Roman empire, seem to have had silver money from the first beginning of their settlements, and not to have known either gold or copper coins for several ages thereafter. There were silver coins in England in the time of the Saxons; but there was little gold coined till the time of Edward III nor any copper till that of James I. of Great Britain. In England, therefore, and for the same reason, I believe, in all other modern nations of Europe, all accounts are kept, and the value of all goods and of all estates is gener- ally computed, in silver: and when we mean to express the amount of a person’s fortune, we seldom mention the number of guineas, but the num- ber of pounds sterling which we suppose would be given for it.

Originally, in all countries, I believe, a legal tender of payment could be made only in the coin of that metal which was peculiarly considered as the standard or measure of value. In England, gold was not considered as a legal tender for a long time after it was coined into money. The propor- tion between the values of gold and silver money was not fixed by any public law or proclamation, but was left to be settled by the market. If a debtor offered payment in gold, the creditor might either reject such pay- ment altogether, or accept of it at such a valuation of the gold as he and his debtor could agree upon. Copper is not at present a legal tender, except in the change of the smaller silver coins.

In this state of things, the distinction between the metal which was the standard, and that which was not the standard, was something more than a nominal distinction.

In process of time, and as people became gradually more familiar with the use of the different metals in coin, and consequently better acquainted with the proportion between their respective values, it has, in most coun- tries, I believe, been found convenient to ascertain this proportion, and to declare by a public law, that a guinea, for example, of such a weight and fineness, should exchange for one-and-twenty shillings, or be a legal ten- der for a debt of that amount. In this state of things, and during the continuance of any one regulated proportion of this kind, the distinction between the metal, which is the standard, and that which is not the stan- dard, becomes little more than a nominal distinction.

In consequence of any change, however, in this regulated proportion, this distinction becomes, or at least seems to become, something more

than nominal again. If the regulated value of a guinea, for example, was either reduced to twenty, or raised to two-and-twenty shillings, all ac- counts being kept, and almost all obligations for debt being expressed, in silver money, the greater part of payments could in either case be made with the same quantity of silver money as before; but would require very different quantities of gold money; a greater in the one case, and a smaller in the other. Silver would appear to be more invariable in its value than gold. Silver would appear to measure the value of gold, and gold would not appear to measure the value of silver. The value of gold would seem to depend upon the quantity of silver which it would exchange for, and the value of silver would not seem to depend upon the quantity of gold which it would exchange for. This difference, however, would be altogether ow- ing to the custom of keeping accounts, and of expressing the amount of all great and small sums rather in silver than in gold money. One of Mr Drummond’s notes for five-and-twenty or fifty guineas would, after an alteration of this kind, be still payable with five-and-twenty or fifty guin- eas, in the same manner as before. It would, after such an alteration, be payable with the same quantity of gold as before, but with very different quantities of silver. In the payment of such a note, gold would appear to be more invariable in its value than silver. Gold would appear to measure the value of silver, and silver would not appear to measure the value of gold. If the custom of keeping accounts, and of expressing promissory- notes and other obligations for money, in this manner should ever be- come general, gold, and not silver, would be considered as the metal which was peculiarly the standard or measure of value.

In reality, during the continuance of any one regulated proportion be- tween the respective values of the different metals in coin, the value of the most precious metal regulates the value of the whole coin. Twelve copper pence contain half a pound avoirdupois of copper, of not the best quality, which, before it is coined, is seldom worth seven-pence in silver. But as, by the regulation, twelve such pence are ordered to exchange for a shilling, they are in the market considered as worth a shilling, and a shilling can at any time be had for them. Even before the late reformation of the gold coin of Great Britain, the gold, that part of it at least which circulated in London and its neighbourhood, was in general less degraded below its standard weight than the greater part of the silver. One-and-twenty worn and defaced shillings, however, were considered as equivalent to a guinea, which, perhaps, indeed, was worn and defaced too, but seldom so much so. The late regulations have brought the gold coin as near, perhaps, to its standard weight as it is possible to bring the current coin of any nation;

and the order to receive no gold at the public offices but by weight, is likely to preserve it so, as long as that order is enforced. The silver coin still continues in the same worn and degraded state as before the reformation of the cold coin. In the market, however, one-and-twenty shillings of this degraded silver coin are still considered as worth a guinea of this excellent gold coin.

The reformation of the gold coin has evidently raised the value of the silver coin which can be exchanged for it.

In the English mint, a pound weight of gold is coined into forty-four guineas and a half, which at one-and-twenty shillings the guinea, is equal to forty-six pounds fourteen shillings and sixpence. An ounce of such gold coin, therefore, is worth £ 3:17:10½ in silver. In England, no duty or sei- gnorage is paid upon the coinage, and he who carries a pound weight or an ounce weight ofstandard gold bullion to the mint, gets back a pound weight or an ounce weight of gold in coin, without any deduction. Three pounds seventeen shillings and tenpence halfpenny an ounce, therefore, issaid to be the mint price of gold in England, or the quantity of gold coin which the mint gives in return for standard gold bullion.

Before the reformation of the gold coin, the price of standard gold bul- lion in the market had, for many years, been upwards of £3:18s. some- times £ 3:19s, and very frequently £4 an ounce; that sum, it is probable, in the worn and degraded gold coin, seldom containing more than an ounce of standard gold. Since the reformation of the gold coin, the mar- ket price of standard gold bullion seldom exceeds £ 3:17:7 an ounce. Be- fore the reformation of the gold coin, the market price was always more or less above the mint price. Since that reformation, the market price has been constantly below the mint price. But that market price is the same whether it is paid in gold or in silver coin. The late reformation of the gold coin, therefore, has raised not only the value of the gold coin, but likewise that of the silver coin in proportion to gold bullion, and probably, too, in proportion to all other commodities; though the price of the greater part of other commodities being influenced by so many other causes, the rise in the value of either gold or silver coin in proportion to them may not be so distinct and sensible.

In the English mint, a pound weight of standard silver bullion is coined into sixty-two shillings, containing, in the same manner, a pound weight of standard silver. Five shillings and twopence an ounce, therefore, is said to be the mint price of silver in England, or the quantity of silver coin which the mint gives in return for standard silver bullion. Before the ref- ormation of the gold coin, the market price of standard silver bullion was,

upon different occasions, five shillings and fourpence, five shillings and fivepence, five shillings and sixpence, five shillings and sevenpence, and very often five shillings and eightpence an ounce. Five shillings and sevenpence, however, seems to have been the most common price. Since the reformation of the gold coin, the market price of standard silver bul- lion has fallen occasionally to five shillings and threepence, five shillings and fourpence, and five shillings and fivepence an ounce, which last price it has scarce ever exceeded. Though the market price of silver bullion has fallen considerably since the reformation of the gold coin, it has not fallen so low as the mint price.

In the proportion between the different metals in the English coin, as copper is rated very much above its real value, so silver is rated somewhat below it. In the market of Europe, in the French coin and in the Dutch coin, an ounce of fine gold exchanges for about fourteen ounces of fine silver. In the English coin, it exchanges for about fifteen ounces, that is, for more silver than it is worth, according to the common estimation of Eu- rope. But as the price of copper in bars is not, even in England, raised by the high price of copper in English coin, so the price of silver in bullion is not sunk by the low rate of silver in English coin. Silver in bullion still preserves its proper proportion to gold, for the same reason that copper in bars pre- serves its proper proportion to silver.

Upon the reformation of the silver coin, in the reign of William III., the price of silver bullion still continued to be somewhat above the mint price. Mr Locke imputed this high price to the permission of exporting silver bullion, and to the prohibition of exporting silver coin. This permission of exporting, he said, rendered the demand for silver bullion greater than the demand for silver coin. But the number of people who want silver coin for the common uses of buying and selling at home, is surely much greater than that of those who want silver bullion either for the use of exportation or for any other use. There subsists at present a like permis- sion of exporting gold bullion, and a like prohibition of exporting gold coin; and yet the price of gold bullion has fallen below the mint price. But in the English coin, silver was then, in the same manner as now, under- rated in proportion to gold; and the gold coin (which at that time, too, was not supposed to require any reformation) regulated then, as well as now, the real value of the whole coin. As the reformation of the silver coin did not then reduce the price of silver bullion to the mint price, it is not very probable that a like reformation will do so now.

Were the silver coin brought back as near to its standard weight as the gold, a guinea, it is probable, would, according to the present proportion,

exchange for more silver in coin than it would purchase in bullion. The silver coin containing its full standard weight, there would in this case, be a profit in melting it down, in order, first to sell the bullion for gold coin, and afterwards to exchange this gold coin for silver coin, to be melted down in thesame manner. Some alteration in the present proportion seems to be the only method of preventing this inconveniency.

The inconveniency, perhaps, would be less, if silver was rated in the coin as much above its proper proportion to gold as it is at present rated below it, provided it was at the same time enacted, that silver should not be a legal tender for more than the change of a guinea, in the same manner as copper is not a legal tender for more than the change of a shilling. No creditor could, in this case, be cheated in consequence of the high valua- tion of silver in coin; as no creditor can at present be cheated in conse- quence of the high valuation of copper. The bankers only would suffer by this regulation. When a run comes upon them, they sometimes endeav- our to gain time, by paying in sixpences, and they would be precluded by this regulation from this discreditable method of evading immediate pay- ment. They would be obliged, in consequence, to keep at all times in their coffers a greater quantity of cash than at present; and though this might, no doubt, be a considerable inconveniency to them, it would, at the same time, be a considerable security to their creditors.

Three pounds seventeen shillings and tenpence halfpenny (the mint price of gold) certainly does not contain, even in our present excellent gold coin, more than an ounce of standard gold, and it may be thought, therefore, should not purchase more standard bullion. But gold in coin is more convenient than gold in bullion; and though, in England, the coin- age is free, yet the gold which is carried in bullion to the mint, can seldom be returned in coin to the owner till after a delay of several weeks. In the present hurry of the mint, it could not be returned till after a delay of several months. This delay is equivalent to a small duty, and renders gold in coin somewhat more valuable than an equal quantity of gold in bul- lion. If, in the English coin, silver was rated according to its proper pro- portion to gold, the price of silver bullion would probably fall below the mint price, even without any reformation of the silver coin; the value even of the present worn and defaced silver coin being regulated by the value of the excellent gold coin for which it can be changed.

A small seignorage or duty upon the coinage of both gold and silver, would probably increase still more the superiority of those metals in coin above an equal quantity of either of them in bullion. The coinage would, in this case, increase the value of the metal coined in proportion to the

extent of this small duty, for the same reason that the fashion increases the value of plate in proportion to the price of that fashion. The superiority of coin above bullion would prevent the melting down of the coin, and would discourage its exportation. If, upon any public exigency, it should become necessary to export the coin, the greater part of it would soon return again, of its own accord. Abroad, it could sell only for its weight in bullion. At home, it would buy more than that weight. There would be a profit, there- fore, in bringing it home again. In France, a seignorage of about eight per cent. is imposed upon the coinage, and the French coin, when exported, is said to return home again, of its own accord.

The occasional fluctuations in the market price of gold and silver bul- lion arise from the same causes as the like fluctuations in that of all other commodities. The frequent loss of those metals from various accidents by sea and by land, the continual waste of them in gilding and plating, in lace and embroidery, in the wear and tear of coin, and in that of plate, require, in all countries which possess no mines of their own, a continual importa- tion, in order to repair this loss and this waste. The merchant importers, like all other merchants, we may believe, endeavour, as well as they can, to suit their occasional importations to what they judge is likely to be the immediate demand. With all their attention, however, they sometimes overdo the business, and sometimes underdo it. When they import more bullion than is wanted, rather than incur the risk and trouble of exporting it again, they are sometimes willing to sell a part of it for something less than the ordinary or average price. When, on the other hand, they import less than is wanted, they get something more than this price. But when, under all those occasional fluctuations, the market price either of gold or silver bullion continues for several years together steadily and constantly, either more or less above, or more or less below the mint price, we may be assured that this steady and constant, either superiority or inferiority of price, is the effect of something in the state of the coin, which, at that time, renders a certain quantity of coin either of more value or of less value than the precise quantity of bullion which it ought to contain. The constancy and steadiness of the effect supposes a proportionable constancy and steadiness in the cause.

The money of any particular country is, at any particular time and place, more or less an accurate measure or value, according as the current coin is more or less exactly agreeable to its standard, or contains more or less exactly the precise quantity of pure gold or pure silver which it ought to contain. If in England, for example, forty-four guineas and a half con- tained exactly a pound weight of standard gold, or eleven ounces of fine

gold, and one ounce of alloy, the gold coin of England would be as accu- rate a measure of the actual value of goods at any particular time and place as the nature of the thing would admit. But if, by rubbing and wearing, forty-four guineas and a half generally contain less than a pound weight of standard gold, the diminution, however, being greater in some pieces than in others, the measure of value comes to be liable to the same sort of uncertainty to which all other weights and measures are commonly ex- posed. As it rarely happens that these are exactly agreeable to their stan- dard, the merchant adjusts the price of his goods as well as he can, not to what those weights and measures ought to be, but to what, upon an aver- age, he finds, by experience, they actually are. In consequence of a like disorder in the coin, the price of goods comes, in the same manner, to be adjusted, not to the quantity of pure gold or silver which the coin ought to contain, but to that which, upon an average, it is found, by experience, it actually does contain.

By the money price of goods, it is to be observed, I understand always the quantity of pure gold or silver for which they are sold, without any regard to the denomination of the coin. Six shillings and eight pence, for example, in the time of Edward I., I consider as the same money price with a pound sterling in the present times, because it contained, as nearly as we can judge, the same quantity of pure silver.

## CHAPTER VI

OF THE COMPONENT PART OF THE PRICE OF COMMODITIES

IN THAT EARLY and rude state of society which precedes both the accumu- lation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects, seems to be the only circumstance which can afford any rule for exchanging them for one another. If among a nation of hunters, for example, it usually costs twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for or be worth two deer. It is natural that what is usually the produce of two days or two hours labour, should be worth double of what is usually the produce of one day’s or one hour’s labour.

If the one species of labour should be more severe than the other, some allowance will naturally be made for this superior hardship; and the pro- duce of one hour’s labour in the one way may frequently exchange for that of two hour’s labour in the other.

Or if the one species of labour requires an uncommon degree of dexter- ity and ingenuity, the esteem which men have for such talents, will natu- rally give a value to their produce, superior to what would be due to the time employed about it. Such talents can seldom be acquired but in con- sequence of long application, and the superior value of their produce may frequently be no more than a reasonable compensation for the time and labour which must be spent in acquiring them. In the advanced state of society, allowances of this kind, for superior hardship and superior skill, are commonly made in the wages of labour; and something of the same kind must probably have taken place in its earliest and rudest period.

In this state of things, the whole produce of labour belongs to the labourer; and the quantity of labour commonly employed in acquiring or producing any commodity, is the only circumstance which can regulate the quantity of labour which it ought commonly to purchase, command, or exchange for.

As soon as stock has accumulated in the hands of particular persons,

some of them will naturally employ it in setting to work industrious people, whom they will supply with materials and subsistence, in order to make a profit by the sale of their work, or by what their labour adds to the value of the materials. In exchanging thecomplete manufacture either for money, for labour, or for other goods, over and above what may be sufficient to pay the price of the materials, and the wages of the workmen, something must be given for the profits of the undertaker of the work, who hazards his stock in this adventure. The value which the workmen add to the mate- rials, therefore, resolves itself in this case into two parts, of which the one pays their wages, the other the profits of their employer upon the whole stock of materials and wages which he advanced. He could have no interest to employ them, unless he expected from the sale of their work something more than what wassufficient to replace hisstock to him; and hecould have no interest to employ a great stock rather than a small one, unless his profits were to bear some proportion to the extent of his stock.

The profits of stock, it may perhaps be thought, are only a different name for the wages of a particular sort of labour, the labour of inspection and direction. They are, however, altogether different, are regulated by quite different principles, and bear no proportion to the quantity, the hardship, or the ingenuity of this supposed labour of inspection and di- rection. They are regulated altogether by the value of the stock employed, and are greater or smaller in proportion to the extent of this stock. Let us suppose, for example, that in some particular place, where the common annual profits of manufacturing stock are ten per cent. there are two dif- ferent manufactures, in each of which twenty workmen are employed, at the rate of fifteen pounds a year each, or at the expense of three hundred a-year in each manufactory. Let us suppose, too, that the coarse materials annually wrought up in the one cost only seven hundred pounds, while the finer materials in the other cost seven thousand. The capital annually employed in the onewill, in this case, amount only to one thousand pounds; whereas that employed in the other will amount to seven thousand three hundred pounds. At the rate of ten per cent. therefore, the undertaker of the one will expect a yearly profit of about one hundred pounds only; while that of the other will expect about seven hundred and thirty pounds. But though their profits are so very different, their labour of inspection and direction may be either altogether or very nearly the same. In many great works, almost the whole labour of this kind is committed to some principal clerk. His wages properly express the value of this labour of in- spection and direction. Though in settling them some regard is had com- monly, not only to his labour and skill, but to the trust which is reposed in

him, yet they never bear any regular proportion to the capital of which he oversees the management; and the owner of this capital, though he is thus discharged of almost all labour, still expects that his profit should bear a regular proportion to his capital. In the price of commodities, therefore, the profits of stock constitute a component part altogether different from the wages of labour, and regulated by quite different principles.

In this state of things, the whole produce of labour does not always belong to the labourer. He must in most cases share it with the owner of the stock which employs him. Neither is the quantity of labour com- monly employed in acquiring or producing any commodity, the only cir- cumstance which can regulate the quantity which it ought commonly to purchase, command or exchange for. An additional quantity, it is evident, must be due for the profits of the stock which advanced the wages and furnished the materials of that labour.

As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce. The wood of the forest, the grass of the field, and all the natural fruits of the earth, which, when land was in common, cost the labourer only the trouble of gathering them, come, even to him, to have an additional price fixed upon them. He must then pay for the licence to gather them, and must give up to the landlord a portion of what his labour either collects or produces. This portion, or, what comes to the same thing, the price of this portion, constitutes the rent of land, and in the price of the greater part of commodities, makes a third component part.

The real value of all the different component parts of price, it must be observed, is measured by the quantity of labour which they can, each of them, purchase or command. Labour measures the value, not only of that part of price which resolves itself into labour, but of that which resolves itself into rent, and of that which resolves itself into profit.

In every society, the price of every commodity finally resolves itself into some one or other, or all of those three parts; and in every improved soci- ety, all the three enter, more or less, as component parts, into the price of the far greater part of commodities.

In the price of corn, for example, one part pays the rent of the landlord, another pays the wages or maintenance of the labourers and labouring cattle employed in producing it, and the third pays the profit of the farmer. These three parts seem either immediately or ultimately to make up the whole price of corn. A fourth part, it may perhaps be thought is necessary for replacing the stock of the farmer, or for compensating the wear and

tear of his labouring cattle, and other instruments of husbandry. But it must be considered, that the price of any instrument of husbandry, such as a labouring horse, is itself made up of the same time parts; the rent of the land upon which he is reared, the labour of tending and rearing him, and the profits of the farmer, who advances both the rent of this land, and the wages of this labour. Though the price of the corn, therefore, may pay the price as well as the maintenance of the horse, the whole price still resolves itself, either immediately or ultimately, into the same three parts of rent, labour, and profit.

In the price of flour or meal, we must add to the price of the corn, the profits of the miller, and the wages of his servants; in the price of bread, the profits of the baker, and the wages of his servants; and in the price of both, the labour of transporting the corn from the house of the farmer to that of the miller, and from that of the miller to that of the baker, together with the profits of those who advance the wages of that labour.

The price of flax resolves itself into the same three parts as that of corn. In the price of linen we must add to this price the wages of the flax-dresser, of the spinner, of the weaver, of the bleacher, etc. together with the profits of their respective employers.

As any particular commodity comes to be more manufactured, that part of the price which resolves itself into wages and profit, comes to be greater in proportion to that which resolves itself into rent. In the progress of the manufacture, not only the number of profits increase, but every subsequent profit is greater than the foregoing; because the capital from which it is derived must always be greater. The capital which employs the weavers, for example, must be greater than that which employs the spin- ners; because it not only replaces that capital with its profits, but pays, besides, the wages of the weavers: and the profits must always bear some proportion to the capital.

In the most improved societies, however, there are always a few com- modities of which the price resolves itself into two parts only the wages of labour, and the profits of stock; and a still smaller number, in which it consists altogether in the wages of labour. In the price of sea-fish, for example, one part pays the labour of the fisherman, and the other the profits of the capital employed in the fishery. Rent very seldom makes any part of it, though it does sometimes, as I shall shew hereafter. It is other- wise, at least through thegreater part of Europe, in river fisheries. Asalmon fishery pays a rent; and rent, though it cannot well be called the rent of land, makes a part of the price of a salmon, as well as wares and profit. In some parts of Scotland, a few poor people make a trade of gathering,

along the sea-shore, those little variegated stones commonly known by the name of Scotch pebbles. The price which is paid to them by the stone- cutter, is altogether the wages of their labour; neither rent nor profit makes an part of it.

But the whole price of any commodity must still finally resolve itself into some one or other or all of those three parts; as whatever part of it remains after paying the rent of the land, and the price of the whole labour employed in raising, manufacturing, and bringing it to market, must nec- essarily be profit to somebody.

As the price or exchangeable value of every particular commodity, taken separately, resolves itself into some one or other, or all of those three parts; so that of all the commodities which compose the whole annual produce of the labour of every country, taken complexly, must resolve itself into the same three parts, and be parcelled out among different inhabitants of the country, either as the wages of their labour, the profits of their stock, or the rent of their land. The whole of what is annually either collected or produced by the labour of every society, or, what comes to the same thing, the whole price of it, is in this manner originally distributed among some of its different members. Wages, profit, and rent, are the three original sources of all revenue, as well as of all exchangeable value. All other rev- enue is ultimately derived from some one or other of these.

Whoever derives his revenue from a fund which is his own, must draw it either from his labour, from his stock, or from his land. The revenue derived from labour is called wages; that derived from stock, by the per- son who manages or employs it, is called profit; that derived from it by the person who does not employ it himself, but lends it to another, is called the interest or the use of money. It is the compensation which the bor- rower pays to the lender, for the profit which he has an opportunity of making by the use of the money. Part of that profit naturally belongs to the borrower, who runs the risk and takes the trouble of employing it, and part to the lender, who affords him the opportunity of making this profit. The interest of money is always a derivative revenue, which, if it is not paid from the profit which is made by the use of the money, must be paid from some other source of revenue, unless perhaps the borrower is aspend- thrift, who contracts a second debt in order to pay the interest of the first. The revenue which proceeds altogether from land, is called rent, and be- longs to the landlord. The revenue of the farmer is derived partly from his labour, and partly from his stock. To him, land is only the instrument which enables him to earn the wages of this labour, and to make the prof- its of this stock. All taxes, and all the revenue which is founded upon

them, all salaries, pensions, and annuities of every kind, are ultimately derived from some one or other of those three original sources of revenue, and are paid either immediately or mediately from the wages of labour, the profits of stock, or the rent of land.

When those three different sorts of revenue belong to different persons, they are readily distinguished; but when they belong to the same, they are sometimes confounded with one another, at least in common language.

A gentleman who farms a part of his own estate, after paying the ex- pense of cultivation, should gain both the rent of the landlord and the profit of the farmer. He is apt to denominate, however, his whole gain, profit, and thus confounds rent with profit, at least in common language. The greater part of our North American and West Indian planters are in this situation. They farm, the greater part of them, their own estates: and accordingly we seldom hear of the rent of a plantation, but frequently of its profit.

Common farmers seldom employ any overseer to direct the general operations of the farm. They generally, too, work a good deal with their own hands, as ploughmen, harrowers, etc. What remains of the crop, after paying the rent, therefore, should not only replace to them their stock employed in cultivation, together with its ordinary profits, but pay them the wages which are due to them, both as labourers and overseers. What- ever remains, however, after paying the rent and keeping up the stock, is called profit. But wages evidently make a part of it. The farmer, by saving these wages, must necessarily gain them. Wages, therefore, are in this case confounded with profit.

An independent manufacturer, who has stock enough both to purchase materials, and to maintain himself till he can carry his work to market, should gain both the wages of a journeyman who works under a master, and the profit which that master makes by the sale of that journeyman’s work. His whole gains, however, are commonly called profit, and wages are, in this case, too, confounded with profit.

A gardener who cultivates his own garden with his own hands, unites in his own person the three different characters, of landlord, farmer, and labourer. His produce, therefore, should pay him the rent of the first, the profit of the second, and the wages of the third. The whole, however, is commonly considered as the earnings of his labour. Both rent and profit are, in this case, confounded with wages.

As in a civilized country there are but few commodities of which the exchangeable value arises from labour only, rent and profit contributing largely to that of the far greater part of them, so the annual produce of its

labour will always be sufficient to purchase or command a much greater quantity of labour than what was employed in raising, preparing, and bringing that produce to market. If the society were annually to employ all the labour which it can annually purchase, as the quantity of labour would increase greatly every year, so the produce of every succeeding year would be of vastly greater value than that of the foregoing. But there is no country in which the whole annual produce is employed in maintaining the industrious. The idle everywhere consume a great part of it; and, ac- cording to the different proportions in which it is annually divided be- tween those two different orders of people, its ordinary or average value must either annually increase or diminish, or continue the same from one year to another.